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**FISCAL IMPACT STATEMENT**

**LS 6599**

**BILL NUMBER:** HB 1120

**NOTE PREPARED:** May 4, 2005

**BILL AMENDED:** Apr 29, 2005

**SUBJECT:** State and Local Finance Matters.

**FIRST AUTHOR:** Rep. Espich

**FIRST SPONSOR:** Sen. Kenley

**BILL STATUS:** Enrolled

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
☐ **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** *Indiana Stadium and Convention Authority:* The bill establishes the Indiana Stadium and Convention Building Authority (SCBA) to acquire, construct, equip, own, lease, and finance facilities for lease to or for the benefit of a Capital Improvement Board. The bill also authorizes the SCBA and the Development Finance Authority to enter into swap agreements.

***Marion County Stadium/Convention Center Taxes:*** The bill authorizes the Indianapolis City-County Council to increase the rates of the: (1) County Supplemental Auto Rental Excise Tax; (2) County Innkeeper's Tax; (3) County Food and Beverage Tax; and (4) County Admissions Tax; and provides that the resulting increased revenue is to be distributed to the Marion County Capital Improvement Board for use in paying debt service on certain obligations issued by the SCBA. The bill repeals the current law concerning termination of the Marion County Food and Beverage Tax.

***Donut County Stadium Food & Beverage Taxes:*** The bill authorizes the counties contiguous to Marion County, and certain municipalities located in those counties, to adopt a Food and Beverage Tax.

***Marion County Professional Sports Development Area (PSDA):*** The bill authorizes the Budget Director to increase the amount of state tax revenue that is annually captured by the Marion County PSDA. The bill prohibits the expansion of the Marion County PSDA except with respect to the site of a facility to be financed by the SCBA.

***Professional Football Team License Plates:*** The bill requires the Bureau of Motor Vehicles to issue professional football team license plates.

***NW Indiana: NIRDA Powers/Duties:*** The bill establishes the Northwest Indiana Regional Development

Authority (NIRDA) in Lake County and Porter County. The bill authorizes NIRDA to: (1) make loans, loan guarantees, and grants to or on behalf of a commuter transportation district, an airport authority, an airport development authority, a regional bus authority, and a shoreline development commission; (2) issue bonds (only to the Indiana Development Finance Authority- IDFA); (3) lease land or projects to a commuter transportation district, an airport authority, an airport development authority, a regional bus authority, or a shoreline development commission; (4) use the development authority's funds to match federal grants; and (5) take other actions to carry out its purposes.

The bill requires NIRDA to comply with the common construction wage law, the public purchasing laws, the public works projects laws, and any applicable federal bidding statutes and regulations. The bill also requires a political subdivision that receives a loan, grant, or other financial assistance from NIRDA to comply with applicable federal, state, and local public purchasing and bidding laws and regulations.

The bill authorizes the IDFA to issue bonds and use the proceeds of the bonds to acquire any obligations issued by the NIRDA.

The bill also requires NIRDA to submit to the Budget Committee and to the Director of the Office of Management and Budget (OMB) for approval of a comprehensive strategic development plan.

City & County Transfers to NIRDA: The bill requires the fiscal officer of each city and county that appoints a member to the NIRDA Board (other than the member appointed on nomination of Portage or Valparaiso) to transfer \$3,500,000 annually to NIRDA from any of the following sources: (1) Riverboat Admissions Taxes, Riverboat Wagering taxes, or riverboat incentive payments received by the city or county; (2) any County Economic Development Income Tax revenue received by the city or county; or (3) any other local revenue other than property tax revenue received by the city or county.

Toll Road Revenue Distributions to NIRDA: The bill provides that, subject to the trust agreement of any outstanding bonds, the Indiana Transportation Finance Authority (ITFA) shall distribute to NIRDA in 2006 and 2007 from revenues accruing from the toll road at least \$5,000,000 and not more than \$10,000,000 each year (as determined by ITFA). The bill specifies that the distributions may be made only if all participating local units have made the required contributions to NIRDA. The bill provides that after 2007 ITFA may distribute to NIRDA amounts from revenues accruing from the toll road. It provides that these distributions may be made only if all participating local units have made the required contributions to NIRDA, the Budget Committee has reviewed NIRDA's comprehensive strategic development plan, and the Director of the OMB has approved the comprehensive strategic development plan. The bill eliminates the requirement that ITFA may finance or develop improvements only within ten miles on either side of a toll road. It also eliminates the requirement that the tolls for any class of traffic shall be substantially uniform according to the mileage between interchanges.

Lake & Porter County Food & Beverage Tax: The bill allows the Lake County Council to impose a 1% Food and Beverage Tax in Lake County, and allows the Porter County Council to impose a 1% Food and Beverage tax in Porter County. The bill provides that the Food and Beverage Tax revenue is distributed to NIRDA. It specifies that any Food and Beverage Tax revenue distributed to NIRDA is not part of either county's required transfers to NIRDA.

Lake & Porter County CEDIT: The bill provides that if Porter County increases its County Economic

Development Income Tax rate, the first \$3,500,000 of the tax revenue that results each year from the rate increase and is received by the county shall be used by the county to make the county's required transfer to NIRDA. The bill also allows CEDIT revenue received by Lake County, Porter County, or a municipality in Lake County or Porter County to be used to provide additional homestead credits.

Riverboat Admission Tax Sharing: The bill provides that Lake County shall distribute 25% of the Admissions Tax revenue received by the county to certain municipalities in the county. It also provides that a municipality may use the revenue distributed by the county only for infrastructure purposes.

Regional Bus Authority: The bill renames the Regional Transportation Authority in Lake County as a Regional Bus Authority.

***Mobile Home Assessments and Software Valuation:*** The bill requires rules of the Department of Local Government Finance to include instructions for: (1) determining the true tax value of certain mobile homes in a prescribed manner; and (2) determining the true tax value at the time of acquisition of computer application software for the purpose of deducting that value from the true tax value of taxable personal property.

***Coal Combustion Property Tax Deduction:*** The bill provides a property tax deduction for a building if materials made from coal combustion products are systematically used in the building's construction.

***Delinquent Personal Property Taxes:*** The bill expands the time during the year when the county treasurer may enforce delinquent personal property taxes. It requires a creditor that acquires and transfers certain personal property on which the creditor holds a lien and on which personal property taxes have been adjudicated delinquent to pay all or part of the delinquency from the proceeds of the transfer according to a formula that apportions the proceeds between the lien amount and the delinquency amount. It also allows a creditor to deduct from the proceeds of the transfer any direct costs of the transfer before applying the formula.

***Library Levy:*** The bill allows a county library board to levy a property tax and distribute the tax to a private donation library under certain conditions.

***Local Property Tax Credits:*** The bill allows a county fiscal body to apply a property tax credit over four years for a homestead that had an excessive tax increase in the last general reassessment. The bill also specifies that the amount of the credit is a percentage of that increase.

***Howard County & Miami County COIT:*** The bill provides that Howard County may increase the County Option Income Tax (COIT) rate by 0.25% over the current maximum rate to operate a county jail or juvenile center. The bill provides that Miami County may increase the COIT rate by 0.25% over the current maximum rate to finance a county jail.

***Vanderburgh County Supplemental Auto Rental Excise Tax:*** The bill authorizes the Evansville city council to impose a Supplemental Auto Rental Excise Tax in Vanderburgh County.

***Tippecanoe County Innkeeper's Tax:*** The bill permits Tippecanoe County to increase its Innkeeper's Tax from 5% to 6%.

***Hendricks County Innkeeper's Tax:*** The bill authorizes Hendricks County to impose an Innkeeper's Tax to replace the Innkeeper's Tax it currently imposes under the Uniform Innkeeper's Tax Law.

***Wayne County Food & Beverage Tax:*** The bill authorizes Wayne County and, under certain conditions, municipalities in Wayne County to impose a Food and Beverage Tax.

***Avon & Martinsville Food & Beverage Taxes:*** The bill also authorizes the town of Avon and the city of Martinsville to adopt an ordinance to impose a Food and Beverage Tax under its own law.

***Professional Sports Development Areas (PSDAs):*** The bill prohibits the expansion of a Professional Sports Development Area in counties other than Marion County.

***Enterprise Zones:*** The bill allows money in the Enterprise Zone Fund to be used to pay administrative expenses of local urban enterprise associations (UEAs). It establishes the Enterprise Zone Investment Deduction, which allows a taxpayer who makes a qualified investment to obtain a deduction against the assessed value of a taxpayer's enterprise zone property located in an enterprise zone. It also requires the Department of State Revenue to annually compile and report to the Indiana Economic Development Corporation (IEDC) information on the Enterprise Zone Loan Interest Credit. The bill adds the new deduction and the Loan Interest Credit to the list of incentives that make a zone business subject to the requirement to pay a registration fee to the IEDC and to assist a local UEA. The bill also requires the legislative body of each unit that contains the geographic area of an enterprise zone to adopt a resolution recommending the continuation or termination of the zone and provides that the zone terminates on December 31, 2005, if the legislative body recommended termination.

***Special Alcohol Beverage Permits:*** The bill allows the Alcohol and Tobacco Commission to issue ten three-way, two-way, or one-way alcoholic beverage permits under certain conditions to restaurants located: (1) in a historic district in a city or town; or (2) not more than 500 feet from the historic district; if the historic district meets certain requirements.

***Motion Pictures Incentives:*** The bill authorizes the use of state and university-owned property free of charge as locations for making motion pictures.

***Oil and Special Fuel Inspection Fee:*** The bill increases the Oil Inspection Fee from \$0.008 to \$0.01 per gallon (40 cents to 50 cents per 50 gallon barrel) and adds "special fuel" (diesel fuel) to the list of petroleum products subject to the fee.

***School Corporation Foundations:*** The bill allows a school corporation to form a foundation to hold grants, gifts, and certain other money received by the school corporation.

***School Corporation Pension Bonds:*** The bill provides that a school corporation that did not issue bonds to cover retirement or severance liability under a prior statute (which was repealed on December 31, 2004) or that issued bonds under the prior statute before April 14, 2003, may issue bonds one additional time for that purpose. It also provides that the bonds are not subject to the petition and remonstrance process.

***Unemployment Tax:*** The bill authorizes the Department of Workforce Development (DWD) to establish an employer contribution rate, not to exceed 3.5% if the state becomes responsible for administering the Federal

Unemployment Tax Act (26 U.S.C. 3301 et seq.) as a demonstration project. The bill also authorizes the DWD to increase the employer's contribution rate by an additional 0.8% for the year in which the state assumes this responsibility.

***Ivy Tech State College:*** The bill requires Ivy Tech State College to enter into a lease of certain property in Fort Wayne. The bill also makes an appropriation to Ivy Tech State College for A&E expenses for planning the Logansport campus.

***Alternative Gaming Study:*** The bill requires the Gaming Commission to study alternative forms of gaming to determine if they would be beneficial for Indiana.

***IEDC:*** The bill provides that the provisions authorizing the IEDC to administer the EDGE Tax Credit and the Hoosier Business Investment Tax Credit take effect on February 9, 2005 (the date the EDGE Board was abolished) instead of July 1, 2005.

***Solid Waste Management District Funds:*** The bill requires the controller of a solid waste management district to deposit and invest the district's money in the same manner that other county money is deposited and invested.

**Effective Date:** Upon Passage; May 15, 2005; July 1, 2005; January 1, 2006.

**Explanation of State Expenditures:** ***Stadium and Convention Authority:*** The bill creates the Indiana Stadium and Convention Building Authority (SCBA) as a separate body corporate and politic. The SCBA is governed by a board composed of seven members. Serving 3-year terms are four members appointed by the Governor and two members appointed by the Mayor of Indianapolis. One member who is nominated by the county council of one of the counties contiguous to Marion County, and appointed by the Governor, serves a term of one year. The SCBA is organized to acquire, finance, construct, and lease land and capital improvements for the benefit of the Marion County Capital Improvement Board (CIB). The bill authorizes the SCBA to issue bonds for these purposes with a maximum maturity of 40 years.

The bill prohibits the SCBA from issuing bonds unless: (1) construction contracts for capital improvements financed from the bonds require payment of the common construction wage, and require the contractor to enter into a project labor agreement to perform work on the projects; and (2) the CIB and SCBA enter into a written agreement concerning the terms of financing of the capital improvements. The agreement between the CIB and SCBA must include provisions under which the CIB agrees to deliver to the SCBA the \$100 M owed to the CIB, Indianapolis, or Marion County by the Colts pursuant to an agreement between the parties. This amount is to be applied to the cost of construction of the new football stadium. The written agreement also must provide that the CIB and the Colts have entered into a lease for the stadium for a term of at least 30 years that is approved by the SCBA.

The bill also prohibits the SCBA from issuing more than \$500 M in bonds to finance the capital improvements unless: (1) the additional Innkeeper's Tax, Food and Beverage Tax, County Admissions Tax, and Supplemental Auto Rental Excise Tax rates provided under the bill are increased by the Marion County City-County Council on or before June 30, 2005; and (2) the State Budget Director increases the capture limit for the Marion County Professional Sports Development Area (PSDA) by up to \$11 M per year beginning in FY 2008, on or before October 1, 2005.

The bill authorizes the SCBA to lease land and capital improvements to the CIB for up to 40 years with lease rental payments coming from: (1) the Marion County taxes listed in (1) above; (2) Food and Beverage Tax imposed in Boone, Hamilton, Hancock, Hendricks, Johnson, Morgan, and Shelby counties and designated for lease rental payments on the capital improvements; (3) state sales and state and local income tax revenue captured in the Marion County PSDA; (4) net revenues of the capital improvements; and (5) other funds available for the capital improvements.

The lease agreement between the CIB and the SCBA for a capital improvement may not have a term exceeding 40 years, and may not require the CIB to make lease rental payments for the capital improvement until it is completed and ready for occupancy. The lease agreement must contain an option for the CIB to purchase the capital improvement during the term of the lease for a price equal to the amount required to pay all indebtedness incurred on account of the capital improvement; or after the term of the lease for \$1, if all the indebtedness incurred on account of the capital improvement is no longer outstanding.

The lease agreement also must provide that the CIB is solely responsible for the operation and maintenance of the capital improvement upon completion of construction. In addition, it must provide that, subject to the terms of the lease, the CIB will retain all revenues from the operation of the capital improvement, and that the SCBA has no responsibility to fund the ongoing maintenance and operations of the capital improvement.

However, the lease agreement also must provide that the SCBA retains the right to approve any lease agreements and amendments to any lease agreements between the CIB and the Colts. The lease also must provide that the CIB, upon request of the SCBA, impose an admission fee for professional sports and other events at the RCA Dome, the Convention Center, Victory Field, Conseco Fieldhouse, and the new football stadium. The revenue from this fee must be used to pay obligations relating to the construction of the capital improvements.

***Professional Football Team License Plates:*** The bill requires the Bureau of Motor Vehicles (BMV) to design and issue an NFL franchised football team license plate for a team it secures an agreement with to produce and sell the license plates. The potential expenditures involved with this proposal will depend upon licensing fees, and the number of colors used and the number of plates produced. PEN Products (Prison Enterprises Network), the manufacturing and sales arm of prison-made products, charges the BMV and other groups petitioning for the creation of a new license plate(s). These charges consist of:

- (1) \$3.80 per plate (flat plate).
- (2) \$4.50 per multi-colored flat plate.
- (3) \$450 one-time set-up. This includes plate set-up by PEN graphic designer.
- (4) PEN Products can prepare, but it is not required, camera artwork for the newly created plate at an hourly rate of \$45.

The funds affected are the PEN Products Revolving Fund and the Motor Vehicle Highway Account, which supports the BMV.

***Coal Combustion Property Tax Deduction:*** The Center for Coal Technology Research at Purdue University would have to make determinations of whether buildings qualify for the property tax deduction for buildings constructed with materials containing coal combustion products. The Center is housed at the Purdue Institute for Interdisciplinary Engineering Studies and consists only of a part-time director. The Center currently has

responsibility to produce reports, prepare public education programs, and review coal research grant applications. The Center must also approve products whose manufacturers may be able to claim a deduction against the assessed value of the depreciable personal property used in the manufacture of those products. The current staffing level for the Center makes it unlikely that the Center would be able to process many of the applications for the real property deduction. The result would be that many, if not all, applications for the deduction could be certified by default.

***Mobile Home Assessments and Software Valuation:*** The Department of Local Government Finance (DLGF) would be required to make changes to its rule governing personal property assessments.

***Delinquent Personal Property Taxes:*** The state levies a small tax rate for State Fair and State Forestry. The rate is applied to both real and personal property. Any change in personal property tax collections will result in a change in revenue collected for these two funds.

***Library Levy:*** The state would pay Property Tax Replacement Credits and Homestead Credits on any increase in the levy. Additional expenses could range from \$71,000 to \$152,000 depending on the levy adopted by the Vanderburgh County Library Board.

***Enterprise Zones:*** The bill would allow money in the state Enterprise Zone Fund to be used to pay administrative expenses of Urban Enterprise Associations. The UEAs are local nonprofit entities that operate the EZs. Currently, money in the Fund may be used to: (1) pay the expenses of administering the Fund; (2) pay nonrecurring administrative expenses of the EZ Program; and (3) provide grants to UEAs for brownfield remediation in EZs. The Fund is administered by the IEDC and contains revenue from the EZ business registration fee. Businesses receiving EZ incentives must pay a fee equal to 1% of the incentives obtained by the business if the incentives exceed \$1,000 during the year. The FY 2004 balance in the Fund totaled \$259,437, and the balance in the Fund as of May 2, 2005, was \$314,657.

***Special Alcohol Beverage Permits:*** The bill will have an administrative impact on the Alcohol and Tobacco Commission (ATC). If there is an increase in administrative costs, the ATC could presumably cover the increase through the use of existing staff and resources. The impact on the ATC will depend upon the increase in permit applications that result from this legislation. It is estimated that this bill will not result in a significant increase in permit applications.

***Motion Picture Incentives:*** The bill requires the Department of Administration (DOA) and state higher education institutions to adopt policies and procedures for making, respectively, state-owned property and property owned by the institutions available free of charge as locations for making motion pictures. The DOA and state institutions can implement this provision within the existing level of staff and resources.

***Ivy Tech State College:*** The bill requires Ivy Tech to enter into a lease by June 30, 2007, with the Fort Wayne Regional Public Safety Center to further its partnership with the local entities to offer public safety degrees. The maximum amount of the lease is \$1 M per year.

The bill appropriates \$300,000 from the state General Fund to pay A&E expenses for planning of the Logansport campus during the 2005-07 biennium.

***Alternative Gaming Study:*** The bill requires the Indiana Gaming Commission (IGC) to determine if other

forms of gaming would be beneficial for Indiana. The bill requires the IGC to report its findings to the Director of OMB on or before October 1, 2005. The IGCs current resources should be sufficient to implement this study. The IGC could include the following in the study: (1) new games or trends in gaming that might be compatible with Indiana's existing gaming industry; (2) estimates of the amount of revenue that could be generated from different gaming alternatives; and (3) the estimated impact that gaming alternatives would have on existing gaming revenues.

***Department of State Revenue (DOR):*** The DOR's current level of resources should be sufficient to implement the changes described below as a result of the bill.

(1) The DOR would incur additional administrative expenses relating to the collection and monitoring of the new Vanderburgh County Supplemental Auto Rental Excise Tax and the new Food and Beverage Taxes in various counties and municipalities. Food and Beverage Taxes authorized by the bill for the donut counties may be collected locally by the county treasurer or by the DOR in the same manner as the state Gross Retail Tax.

(2) The DOR will need to produce new employer withholding instructions reflecting the new COIT tax rates in Howard and Miami Counties if these counties adopt an ordinance to increase their COIT rate by 0.25% in 2005 as allowed under the bill. Forms will also need to be changed if Lake County adopts or Porter County increases CEDIT by June 30, 2005.

(3) The provision which increases the inspection fee for gasoline and kerosene and imposes an inspection fee for special fuel will require new forms and some computer changes for the DOR.

(4) The bill also requires the DOR to annually compile and report to the IEDC information on the EZ Loan Interest Credit.

**Explanation of State Revenues: Professional Football Team License Plates:** The bill requires the BMV to collect an annual \$20 supplemental fee for a vehicle registered with a professional football team license plate. The revenue from this fee is to be deposited in the Capital Projects Fund. The Fund is nonreverting and is to be administered by the State Budget Director. Expenses of administering the Fund are to be paid from the Fund. On June 30th of every year after June 30, 2006, or any other date designated by the State Budget Director, an amount designated by the State Budget Director shall be transferred from the Fund to the state General Fund, the Marion County Capital Improvement Board, or the designee chosen by the Budget Director. The potential revenue from the sales of the newly created license plates is not known but the sales of the new plates could supplant sales of the existing special recognition plates.

Background: In CY 2003, revenue from the sale of special recognition license plates fell within a range of \$5,475 for the sale of 219 Mental Health Trust plates to \$1,712,200 for the sale of 68,488 Heritage Trust license plates. In addition, there is an annual supplemental fee of \$15 (comprised of \$10 set in statute and an additional \$5 set by rule) for all special recognition license plates. Nine dollars of the \$15 is deposited into the state License Branch Fund, which supports the approximately 168 license branches throughout the state, while \$5 is deposited into the Motor Vehicle Highway Account (MVHA), which supports the Bureau of Motor Vehicles and \$1 goes to the Crossroads 2000 Fund. Based on the CY 2003 sales listed above, revenue to the state License Branch Fund amounted to \$618,363 and revenue to the MVHA totaled \$412,242.



***Marion County Professional Sports Development Area (PSDA):*** The bill will reduce individual AGI Tax and Sales and Use Tax collections to the state by at least \$7.0 M per year beginning in FY 2008. This total could potentially grow by 4% to 5% annually until it reaches the new capture limit set by the bill. The current capture limit is \$5 M annually. This would be increased to \$16 M under the bill beginning July 1, 2007, and expiring January 1, 2041. [Note: The bill provides for the additional capture limit to expire earlier on January 1, 2010, if, at that time, the Marion County Capital Investment Board does not owe any obligations to the Indian Stadium and Convention Building Authority.] Individual AGI Tax and Sales and Use Tax collections in the Marion County PSDA exceeded the current \$5 M capture limit by \$3.89 M in FY 2002, \$4.2 M in FY 2003, and \$5.5 M in FY 2004. Assuming currently forecast growth rates for income, it is estimated that income tax collections in the PSDA will be sufficient for Marion County to capture an additional \$7 M beginning in FY 2008.

***Special Alcohol Beverage Permits:*** The bill could potentially have an impact on state revenues due to increases in alcohol beverage permits in municipal riverfront development project areas and historic districts. If more permit fees are collected, 1/3 would be deposited in the state General Fund, and the remaining 2/3 would be distributed to cities, towns, and counties based on population.

**Municipal Riverfront Development Project Areas:** The bill could potentially expand the number of Municipal Riverfront Development Project Areas where alcohol beverage retail permits could be issued by the Alcohol and Tobacco Commission (ATC) without regard to permit quotas. The impact of this change is indeterminable. However, if this provision increases the number of alcoholic beverage retail permits issued, revenue to the ATC's Excise Fund would increase.

Under current law the ATC may issue a three-way, two-way, or one-way permit to sell alcoholic beverages for on-premises consumption only to an applicant who is the proprietor, as owner or lessee, or both, of a restaurant:

- (1) on land; or
- (2) in a historic river vessel;

within a municipal riverfront development project funded in part with state and city money.

After meeting the above criteria an applicant must demonstrate that the municipal riverfront development project area where the permit is to be located meets several other criteria listed in IC 7.1-3-20-16.1. This section of the law lists certain areas where the restaurant may be located. This bill adds a community revitalization enhancement district to the list of areas within a qualifying municipal riverfront development project area where a permit applicant's restaurant is allowed be located.

**Historic Districts:** The bill allows the ATC to issue not more than ten three-way, two-way, or one-way permits, without regard to quotas, to a restaurant that is located: (1) in a historic district in a city or town; or (2) not more than 500 feet from the historic district. (Note: A one-way permit is for a restaurant that serves beer only. A two-way permit allows a restaurant to serve both beer and wine, and a three-way permit allows a restaurant to serve beer, wine, and liquor.) The historic district also must meet certain historic landmark/building criteria. If ten permits are granted, the total revenue would be \$60,000 from the initial fees, and up to \$7,500 annually thereafter from renewal fees. In addition, the ATC could only issue permits to premises located at sites designated by the municipal legislative body. There is only one eligible district known at this time located in downtown Valparaiso.

The impact on state revenue would be as a result of permit fee, or increased beer, wine, and liquor sales, which would result in the state collecting more excise taxes. The bill provides that the initial permit fee for the permits included in the bill would be \$6,000. These permits are issued for a term of one year, and the normal fees for these permits are as follows: (1) a one-way permit is \$250; (2) a two-way permit is \$500; and (3) a three-way permit is \$750.

The impact on alcohol sales is indeterminable. Revenue from alcohol excise taxes are distributed to the following funds: state General Fund, the Post War Construction Fund, the ATC Enforcement and Administration Fund, and the Addiction Services Fund.

***Oil & Special Fuel Inspection Fees:*** Increasing the inspection fee for gasoline and kerosene from \$0.40 to \$0.50 per barrel will increase annual revenue by approximately \$6.35 M. This estimate is based on 63.4 million barrels of gasoline received in FY 2004 and approximately 500,000 gallons of kerosene.

This provision creates an inspection fee for special fuel (diesel) and is to be administered in the same manner as the Special Fuel Tax. The fee is set at \$0.50 per barrel which will generate annual revenue of approximately \$10.8 M. This estimate is based on 21.6 million barrels of diesel sold or used in FY 2004. The revenue generated from both taxes is deposited in the Excess Liability Trust Fund.

***Unemployment Tax:*** The bill authorizes the Department of Workforce Development (DWD) to establish an employer contribution rate not to exceed 3.5% from the current 3.1% maximum, if the state becomes responsible for administering the Federal Unemployment Tax Act as a demonstration project. DWD could increase the employer's contribution rate by up to 0.8% from 0.4% for the year in which the state assumes this responsibility. Currently, the amount that the state receives from the federal government is less than the amount the employers pay. The impact would depend on whether the state is chosen as a demonstration project and the additional costs the state would incur under the demonstration project. Employers could experience a reduction in unemployment costs if the state's administrative expenses are less than currently being paid to the federal government.

In FY 2003, Indiana employers paid \$148.7 M in Federal Unemployment Tax with \$61.2 M being returned to the state for administration.

***State Property Tax Levies:*** The state levies a small tax rate for State Fair and State Forestry. Property tax revenue for these two purposes will be reduced by: (1) the property tax deduction for buildings constructed with coal combustion products; and (2) the changes in mobile assessments and valuation of application software provided for in the bill.

**Explanation of Local Expenditures: NW Indiana: NIRDA Powers/Duties:** The bill establishes the Northwest Indiana Regional Development Authority as a separate body corporate and politic. NIRDA is established for the following purposes:

(1) acquiring, constructing, equipping, owning, leasing, and financing projects and facilities for lease to or for the benefit of the Gary Airport Authority; the Northern Indiana Commuter Transportation District; the Regional Bus Authority in Lake and Porter counties; and the Shoreline Development Commission;

(2) funding and developing the Gary/Chicago International Airport expansion and other airport authority

projects, commuter transportation district and other rail projects and services, regional bus authority projects and services, shoreline development projects and activities, and economic development projects in northwestern Indiana.

NIRDA is authorized to make loans, loan guarantees, or grants, or provide any other funding or financial assistance for projects. In addition, NIRDA is specifically authorized to use its funds to acquire land; construct and equip facilities; and to acquire, by lease or purchase, land and existing facilities owned by one of the entities listed above in (1) for purposes of lease-back arrangements. The bill requires NIRDA to comply with common construction wage, public purchasing, and public work projects requirements under state statute, and any applicable federal bidding statutes and regulations. The bill authorizes NIRDA to issue bonds, but requires the bonds to be sold to the Indiana Development Finance Authority. The bill establishes a funding system for NIRDA which includes annual monetary transfers from Lake County, Porter County, Gary, Hammond, East Chicago, Toll Road revenue distributed by the Indiana Transportation Finance Authority, and revenue from Food and Beverage Taxes imposed in Lake County and Porter County.

NIRDA is to be governed by a seven-member board consisting of: (1) two members appointed by the Governor; (2) one member each appointed by the mayor of Gary, the mayor of Hammond, and the mayor of East Chicago, and the county executive and county council of Lake County; and (3) one member appointed by the county executive and county council of Porter County. After the initial terms, all the members of the NIRDA Board will serve 4-year, staggered terms. Board members are not entitled to receive any compensation except for per diem for the member's participation in Board meetings.

The Board is required to establish and administer the Development Authority Fund. The Fund consists of the revenues described above, funds received from the federal government, appropriations from the General Assembly, and other local revenue appropriated by a political subdivision. The Fund must contain a lease rental account generally containing the annual monetary transfers and Food and Beverage Tax revenue. Money in this account can only be used to pay obligations of an entity described in (1) above under a lease between the entity and NIRDA. All other money in the Fund is to be held in the general account, which may be used for any authorized purpose of NIRDA. Generally, however, money in the lease rental account exceeding 125% of the total highest annual debt service on outstanding bond issues may be deposited in the general account.

The bill specifies the following additional requirements for the NIRDA:

(1) NIRDA must issue an annual report to the Legislative Council, the Budget Committee, and the Governor concerning its operations and activities.

(2) NIRDA must develop a comprehensive strategic development plan regarding proposed projects and their financial requirements and impacts. The bill requires NIRDA to submit the plan before January 1, 2008, for review by the Budget Committee and approval by the Director of OMB.

(3) NIRDA also must pay for an annual financial audit performed by a CPA under contract with the OMB.

***Delinquent Personal Property Taxes:*** The bill applies to transfers made by a creditor after May 10, 2006. As soon as practicable after a creditor comes into possession of personal property and before the creditor transfers the property, the creditor must request a delinquent personal property tax form from the county

treasurer and file the form with the county treasurer. The county treasurer must provide the tax form not later than 14 days after the request. The county and township assessor must assist the county treasurer in determining the appropriate assessed value of the personal property and the amount of delinquent personal property taxes owed. Assistance provided by the county and township assessors must include providing the county treasurer with relevant personal property forms filed with the assessors and providing the county treasurer with any other assistance necessary. These provisions will increase administrative expenses for the local units; however, it is anticipated that the local units will be able to implement these provisions within their existing budgets.

***Wayne County Food & Beverage Tax:*** Food and beverage taxes collected in Wayne County must be used to promote conventions, visitors, and tourism or to promote economic development. The bill establishes a nine-member Wayne County Food and Beverage Tax Committee to make recommendations on the use of this revenue.

***Special Alcohol Beverage Permits:*** The provisions of the bill allowing the ATC to issue alcohol beverage permits in certain historic districts without regard to quotas provides that the municipal legislative body (where the historic district is located) must adopt an ordinance designating sites that are eligible to be a permit premises. Permits could only be issued by the ATC to premises located at these designated sites. This provision could have an administrative cost impact on the local legislative body, but it is presumed that the impact could be covered through the use of existing staff and resources.

**Explanation of Local Revenues:** ***Marion County Stadium Revenue Summary:*** The total estimated revenue impact of the bill to Marion County (in millions of dollars) for use in financing stadium and convention center facilities is summarized in the table below.

Source	FY 2006	FY 2007	FY 2008	FY 2009
<b>State Transfers:</b>				
Pro Football Team License Plate	0	Indeterminable	Indeterminable	Indeterminable
Marion County PSDA	0	0	7.0 M	7.0 M
<b>Marion County Taxes:</b>				
Food and Beverage Tax	18.2 M	19.2 M	20.1 M	21.2 M
Supplemental Auto Rental Excise Tax	1.8 M	1.8 M	1.8 M	1.8 M
Innkeeper's Tax	9.9 M	9.9 M	9.9 M	9.9 M
County Admissions Tax	1.0 M	1.0 M	1.0 M	1.0 M
Optional Admissions Fee*	5.8 M	5.8 M	5.8 M	5.8 M
<b>Donut County Taxes:</b>				
Food and Beverage Tax	3.8 M	4.0 M	4.2 M	4.5 M
<b>Total</b>	<b>\$40.5 M</b>	<b>\$41.7 M</b>	<b>\$49.8 M</b>	<b>\$51.2 M</b>

\*Assumes a \$3 per admission fee is imposed by the CIB, at the request of the SCBA, for pro sporting events at all applicable facilities.

***Marion County Stadium/Convention Center Taxes:*** The taxes for stadium and convention center facilities to be imposed in Marion County are described below.

**Food and Beverage Tax:** The bill increases the maximum tax rate in Marion County from 1% to 2%, provided the rate is increased before July 1, 2005. The bill also extends the existing 1% tax rate through December 31, 2040, and authorizes the additional 1% tax rate to be imposed until that date. [Note: The bill provides for the additional tax rate to expire earlier on October 1, 2005, or January 1, 2010, if, at either time, the CIB does not owe any obligations to the SCBA.] The tax would be effective on transactions occurring after June 30, 2005. An additional 1% food and beverage tax would bring an estimated \$18.2 M in additional revenue in FY 2006 and \$19.2 M in FY 2007, with annual growth estimated at about 5.1%. Marion County currently imposes a 1% food and beverage tax with revenue of \$16.6 M in FY 2004.

**Supplemental Auto Rental Excise Tax:** The bill increases the maximum tax rate in Marion County from 2% to 4% through December 31, 2027. Thereafter, the bill provides for a 2% tax rate to continue through December 31, 2040, if the Marion County CIB still owes obligations to the SCBA. The bill requires that the additional tax rate must be increased before July 1, 2005. [Note: The bill provides for the additional tax rate to expire earlier on October 1, 2005, or January 1, 2010, if, at either time, the CIB does not owe any obligations to the SCBA.] The additional tax rate would be effective on transactions occurring after June 30, 2005. Currently, the tax is imposed at a rate of 2%. The tax is imposed on the gross retail income received from the rental of an automobile or truck weighing less than 11,000 pounds for a period of less than 30 days in Marion County. Revenue from the tax is distributed to the CIB. The 2% tax generated about \$1.83 M in FY 2004 and has generated an average of about \$1.86 M annually since FY 2001.

**Innkeeper's Tax:** The bill increases the maximum tax rate in Marion County from 6% to 9%, provided the rate is increased before July 1, 2005. The bill provides for this maximum through December 31, 2040. After that, the rate will decrease to 5%. [Note: The bill provides for the additional tax rate to expire earlier on October 1, 2005, or January 1, 2010, if, at either time, the CIB does not owe any obligations to the SCBA.] The tax is imposed on gross income from lodging income. Revenue from the tax is distributed to the Marion County CIB. The 6% tax generated about \$19.7 M in FY 2004 and has generated an average of about \$19.2 M annually since FY 2001. The additional 3% is estimated to generate approximately \$9.9 M annually.

**County Admissions Tax:** The bill increases the maximum tax rate in Marion County for the existing County Admissions Tax from 5% to 6%, provided the rate is increased before July 1, 2005. The additional tax rate would be effective on transactions occurring after June 30, 2005. The tax is currently imposed on the price of admission to any event held in the RCA Dome, the Convention Center, Victory Field, or Conseco Fieldhouse. Revenue from the tax is distributed to the Marion County CIB. The 5% tax generated about \$5.04 M in FY 2004 and has generated an average of about \$4.57 M annually since FY 2001. The additional 1% increase is estimated to generate \$1 M annually.

**Optional Admissions Fee:** The bill requires that the lease agreement between the CIB and the SCBA for stadium or convention center facilities financed by the SCBA provide that the CIB, upon request of the SCBA, impose an admission fee for admission to events at the RCA Dome, the Convention Center, Victory Field, Conseco Fieldhouse, or the new football stadium. The admission fee may not exceed \$3 for professional sporting events held at these facilities, or \$1 for admission to other events held at these facilities. The bill requires the proceeds of this admission fee to be used to pay obligations relating to the construction of the stadium or convention center expansion.

If the fee is imposed at the request of the SCBA on admissions to all professional sporting events held at the applicable facilities, it could annually generate approximately 1.9 M taxable admissions beginning in FY 2006. Attendance at events other than professional sports events is currently indeterminable. At the maximum fee increases approximately \$5.8 M annually could be generated based on current admissions.

***Marion County Professional Sports Development Area (PSDA):*** The bill allows the State Budget Director to increase the state income and sales tax capture limit in the Marion County PSDA from \$5 M annually to \$16 M annually from July 1, 2007, to January 1, 2041. [Note: The bill provides for the additional capture limit to expire earlier on January 1, 2010, if, at that time, the CIB does not owe any obligations to the SCBA.] The additional \$11 M annually would be utilized for the stadium and convention center projects financed by the SCBA. Also, the bill prohibits any boundary changes in the Marion County PSDA after May 14, 2005, unless the change is to include the projects financed by the SCBA.

Individual AGI Tax and Sales and Use Tax collections in the Marion County PSDA exceeded the \$5 M capture limit by \$3.89 M in FY 2002, \$4.2 M in FY 2003, and \$5.5 M in FY 2004. Assuming currently forecast growth rates for income (4% to 5% annually), it is estimated that income tax collections in the PSDA will be sufficient for Marion County to capture an additional \$7 M beginning in FY 2008. To the extent that the new facilities added to the PSDA generate more income and sales tax collections, these amounts could potentially increase. Currently, the Marion County PSDA includes Conseco Fieldhouse, the Indiana Convention Center, the RCA Dome, Victory Field, and the Colts' practice facility. These captured state and local tax collections are utilized for debt payments relating to Conseco Fieldhouse.

***Donut County Stadium Food & Beverage Taxes:*** The bill would allow Boone, Hamilton, Hancock, Hendricks, Johnson, Morgan, and Shelby Counties, and the municipalities of Carmel, Fishers, Greenfield, Lebanon, Noblesville, Westfield, and Zionsville to adopt an ordinance to impose a 1% Food and Beverage Tax. The municipalities could adopt the tax only if their county also adopts the tax. In addition, the bill prohibits these counties and municipalities from adopting the tax if Marion County fails to adopt an additional 1% Food and Beverage Tax (for stadium and convention center projects) by June 30, 2005.

The donut counties that adopt the 1% Food and Beverage Tax would receive 50% of the revenue generated by the tax. The remaining 50% of the tax revenue would go to the Marion County CIB for stadium and convention center projects. Under the bill, these counties must adopt the tax no later than June 30, 2005. The municipalities in the donut counties that adopt the 1% Food and Beverage Tax, however, would retain all the revenue generated by the tax. Under the bill, a municipality must adopt the tax by September 30, 2005. A food and beverage tax adopted by a municipality would be assessed in addition to a food and beverage tax adopted by the county. If all the donut counties adopt the 1% Food and Beverage Tax, the total revenue generated is estimated at \$7.7 M in FY 2006 and \$8.1 M in FY 2007, with growth estimated at about 5.1% annually. Under the bill, 50% of the revenue (approximately \$3.8 M in FY 2006 and \$4.0 M in FY 2007) would be used for stadium and convention center projects in Marion County. Revenue estimates for each county Food and Beverage Tax are reported in the table below.

<b>Food and Beverage Tax Estimates at 1% (Counties Surrounding Marion County).</b>				
<b>County</b>	<b>FY 2006</b>		<b>FY 2007</b>	
	<b>Total</b>	<b>50%</b>	<b>Total</b>	<b>50%</b>
Boone	\$506,000	253,000	\$531,000	265,500
Hamilton	2,426,000	1,213,000	2,549,000	1,274,500
Hancock	632,000	316,000	664,000	332,000
Hendricks	1,227,000	613,500	1,289,000	644,500
Johnson	1,855,000	927,500	1,950,000	975,000
Morgan	612,000	306,000	644,000	322,000
Shelby	416,000	208,000	437,000	218,500
<b>Total</b>	<b>\$7,674,000</b>	<b>\$3,837,000</b>	<b>\$8,064,000</b>	<b>\$4,032,000</b>

Additionally, no more than \$5 M of the total revenue received by these counties from the proposed Food and Beverage Taxes would be earmarked for the proposed Colts' stadium and convention center expansion in a given state fiscal year. The \$5 M cap would likely be reached within several years assuming the Food and Beverage Tax collections of the counties were to exhibit annual growth. Any remainder of counties' Food and Beverage Tax revenue after the first \$5 M would be directed to the county fiscal officer. When all obligations for the stadium and convention center are paid, all revenue generated by the Food and Beverage taxes would be distributed to the adopting counties.

Food and Beverage Tax revenue received, under the bill, that is not deposited with the Marion County CIB and all revenue generated by a municipal Food and Beverage Tax could be used to reduce a county's or municipality's property tax levy or for any legal purpose. The tax would terminate on January 1 following the year in which the last payment is made on CIB obligations that existed on July 1, 2006.

***NIRDA Revenue Summary:*** The total revenue (in millions of dollars) that could potentially be distributed to the Northwest Indiana Regional Development Authority beginning in CY 2005 is summarized in the table below.

Source	CY 2005	CY 2006	CY 2007
City & County Transfers	-	\$17.5 M	\$17.5 M
Toll Road Revenue Transfers	-	5.0 - 10.0 M	5.0 - 10.0 M
Food and Beverage Tax	\$3.2 M	8.0 M	8.4 M
<b>Total</b>	<b>\$3.2 M</b>	<b>\$30.5 - \$35.5 M</b>	<b>\$30.9 - \$35.9 M</b>

***NW Indiana: City & County Transfers to NIRDA:*** The bill requires Lake County, Porter County, Gary, Hammond, and East Chicago to each transfer \$3.5 M annually to NIRDA beginning in 2006. The bill requires the transfers to be made without appropriation by the city or county council or approval of any other entity. The bill also requires the transfers to be made from Riverboat Admission Tax, Riverboat Wagering Tax, riverboat incentive payments, or CEDIT revenue received by the city or county, or any other revenue source other than property tax revenue received by the city or county.

***Toll Road Revenue Distributions to NIRDA:*** The bill *requires* the Indiana Transportation Finance Authority (ITFA) to annually distribute at least \$5 M and not more than \$10 M in Toll Road revenues to NIRDA in CY 2006 and CY 2007. The distributions would be made from net income available to the Toll Road Authority. In each year after CY 2007, the ITFA *may* distribute an amount of Toll Road revenues to NIRDA. The amount of the transfer in any year is to be determined by the ITFA, and may be made only if all transfers required from cities and counties to the NIRDA have been made. In addition, distributions in years after CY 2007 may be made only after the state Budget Committee has reviewed NIRDA's comprehensive strategic development plan and the Director of OMB has approved the plan.

The bill also provides for a lump sum payment to be made to NIRDA if the Toll Road is sold or leased before January 1, 2008 (other than to the Indiana Department of Transportation), and the sale or lease agreement does not require the purchaser or lessee to continue making the required distributions to NIRDA. The payment would be equal to the greater of zero or \$20 M minus any amounts distributed to NIRDA before the sale or lease. The payment would be made from the state General Fund.

The bill also removes the uniformity clause for the setting of tolls on the Toll Road. This will allow more flexibility in setting tolls. The bill also removes the mileage restriction for which the Toll Road Authority may finance, develop, construct, reconstruct, improve or maintain public improvements. Current statute allows for improvements within a county if the area is within 10 miles on either side of the center line of the Toll Road or two miles on either side of the center line of any limited access highway that interchanges with a Toll Road project.



The table below reports annual revenues, expenses, and net income (in millions of dollars) from the Toll Road since FY 2000.

Item	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Operating Revenue	\$92.9 M	\$88.5 M	\$89.3 M	\$89.0 M	\$92.7 M
Operating Expense	(51.2 M)	(45.4 M)	(68.3 M)	(73.1 M)	(60.4 M)
Operating Income	41.8 M	43.1 M	21.1 M	15.9 M	32.3 M
Non-operating Revenue (Expense)	(10.1 M)	(8.1 M)	(12.6 M)	(15.0 M)	(13.9 M)
<b>Net Income</b>	<b>\$31.7 M</b>	<b>\$35.0 M</b>	<b>\$8.5 M</b>	<b>\$0.9 M</b>	<b>\$18.4 M</b>

Note: Amounts may not sum due to rounding.

Lake & Porter County Food & Beverage Taxes: Under the bill, Lake and Porter Counties would be allowed to adopt the 1% Food and Beverage Tax. All revenue generated by the tax in both counties would be distributed to NIDRA. The provision has an effective date of May 15, 2005. If a tax is adopted on May 15, 2005, the counties could implement the tax for five months (August-December based on a three-month lag to set up the mechanisms necessary to collect the tax) in CY 2005. Estimates of the revenue generated by the Food and Beverage Tax in each county are reported in the table below. The CY 2005 estimate is adjusted to reflect four months of remittance.

County	CY 2005	CY 2006	CY 2007
Lake	\$2,472,000	\$6,237,000	\$6,555,000
Porter	711,000	1,794,000	1,855,000
<b>Total</b>	<b>\$3,183,000</b>	<b>\$8,031,000</b>	<b>\$8,410,000</b>

Lake & Porter County CEDIT: Under the bill, if Porter County increases its CEDIT rate, the first \$3.5 M in new revenue (due to the rate increase) must be used as the annual transfer payment to NIDRA. Any remaining revenue from the rate increase after the first \$3.5 M is transferred must be used by Porter County and cities/towns in Porter County for additional homestead credits. It is estimated that a 0.25% rate increase in CY 2006 would generate about \$7.5 M for a complete year.

Based on the schedule below, the initial revenue increase would be split into four separate distributions over two sequential calendar years.

- (1) 1/4th of the distribution on October 1 in the year of adoption of the rate increase.
- (2) 1/4th of the distribution on January 1 of the year after the year the rate increase was adopted.
- (3) 1/4th of the distribution on May 1 of the year after the year the rate increase was adopted.
- (4) 1/4th of the distribution on November 1 of the year after the year the rate increase was adopted.

This schedule expires January 1, 2007. Beginning in CY 2007, Porter County would receive CEDIT

distributions in May and November based on the current statutory distribution schedule.

Background: For CY 2005, the Porter County CEDIT certified distribution is \$7.3 M at a rate of 0.25%. Under current law, CEDIT rates may be set at 0.1%, 0.2%, 0.25%, 0.3%, 0.35%, 0.4%, 0.45%, and 0.5%. To date, Porter County has not adopted either COIT or CAGIT.

If Lake County adopts CEDIT, the county, or a city or town in the county, could use the tax revenue to provide additional homestead credits. An ordinance would be required to provide the additional homestead credits. A 0.25% CEDIT rate in Lake County would generate approximately \$19.9 M in CY 2006 and \$20.6 M in CY 2007. If Lake County adopts CEDIT by July 1, 2005, they could receive CEDIT distributions as early as November 2006.

Riverboat Admission Tax Sharing: The bill codifies current practice under which Lake County shares with certain local units 25% of the annual revenue the county receives from: (1) Riverboat Admission Tax collections; and (2) the annual supplemental payment from the Property Tax Replacement Fund to replace shortages in Admission Tax collections. The combined amount Lake County receives from the sources described in (1) and (2) above totals approximately \$17.6 M annually. Thus, the bill codifies distribution of approximately \$4.4 M annually on a per capita basis to the following local units: Cedar Lake, Crown Point, Dyer, Griffith, Highland, Hobart, Lake Station, Lowell, Merrillville, Munster, New Chicago, St. John, Schererville, Schneider, Winfield, and Whiting. The bill limits use of these annual distributions to various infrastructure improvements.

***Howard County and Miami County COIT:*** Under the bill Howard and Miami Counties could increase their COIT rate by 0.25% for county jail expenditures including repayment of any bonds or leases entered into for county jail expenditures. Revenue derived from the increased COIT rate would be deposited in the county jail revenue fund *before* the county certified distribution is made. The bill allows the combined CEDIT and COIT rates in each county to equal 1.25%. The following table illustrates the projected revenue estimates at 0.25% for Howard and Miami Counties under the proposal.

County	CY 2007 Estimated COIT Revenue at 0.25%
Howard	\$3.8 M
Miami	\$1.3 M

This provision of the bill is effective upon passage. Under the bill, either county council could adopt an ordinance to increase its COIT rate before June 1, 2005. If an ordinance is adopted before June 1, 2005, it would be effective on the later of either July 1, 2005, or 15 regular business days after the DOR received a copy of the ordinance. If a rate increase is adopted before June 1, 2005, the certified distributions with the additional 0.25% COIT rate would begin in CY 2007. (Under current law, a COIT county that has a tax rate of 0.6% may adopt an ordinance to increase the rate by 0.1% per year until reaching 1.00%.)

Howard County currently imposes COIT at a 0.70% rate and CEDIT at a 0.20% rate. Howard County will receive COIT certified distributions of \$10.6 M in CY 2005 and CEDIT certified distributions of \$3 M in CY 2005. Miami County currently imposes COIT at a 0.60% rate and CEDIT at a 0.44% rate. Miami County

will receive COIT certified distributions of \$2.8 M in CY 2005 and CEDIT certified distributions of \$2.6 M in CY 2005.

***Vanderburgh County Supplemental Auto Rental Excise Tax:*** The bill allows the Evansville City Council to adopt a county Supplemental Auto Rental Excise Tax. The tax is estimated to generate just under \$219,000 annually.

The tax would be assessed at 2% of the gross retail income from the rental of passenger motor vehicles defined as a motor vehicle designed for carrying passengers, not including motorcycles, buses, or school buses. Vehicle rentals for use in funeral services, rentals during vehicle servicing, and insurance rentals would be exempt from the tax. The tax would expire after December 31, 2036. The tax would be imposed, paid, and collected in the same manner as the state Gross Retail Tax. Under the bill, retail merchants in Vanderburgh County would have the option of filing a separate return, filing with the state Auto Rental Excise Tax, or filing with a return for the state Gross Retail Tax. Revenue from the tax would be deposited in the Supplemental Auto Rental Excise Tax Fund. The money in the Fund is to be used by the Evansville City Council for capital improvements in Evansville that promote conventions, tourism, or recreation.

The tax would expire on January 1, 2036. If the tax is adopted before June 1<sup>st</sup> of a year, it applies to auto rentals after June 30<sup>th</sup>; and if it is adopted on or after June 1<sup>st</sup>, it applies to auto rentals after the last day of the month in which the ordinance is adopted.

According to the DOR, \$438,267 was distributed in Vanderburgh County from the state 4% Auto Rental Excise Tax in CY 2004. Based on this amount, it is estimated that a 2% county supplemental auto rental excise tax could generate an additional \$219,100 in revenue per calendar year. However, due to the exemptions listed above, the revenue generated by a county supplemental auto rental excise tax as proposed would be somewhat less than \$219,100.

***Tippecanoe County Innkeeper's Tax:*** The bill increases the maximum Innkeeper's Tax rate in Tippecanoe County from 5% to 6%, and requires the revenue attributable to the rate increase to be deposited in a Supplemental Innkeeper's Tax Fund. The additional 1% tax could potentially generate about \$275,000 annually in Tippecanoe County. The bill allows the Tippecanoe County Council to use the money in the Fund to promote economic development in Tippecanoe County. The 5% tax in Tippecanoe County generated about \$1.4 M in FY 2004, and has generated an average of about \$1.38 M annually since FY 2001.

***Hendricks County Innkeeper's Tax:*** Under the bill, Hendricks County would essentially shift their existing Innkeeper's Tax under the Uniform Law to a separate section of code. The new section would allow the county to increase its tax rate from the maximum 5% under the Uniform Law to a maximum rate of 8%. Hendricks County currently imposes the tax at a 5% rate with \$643,106 collected in FY 2004. Hendricks County began Innkeeper's Tax collections in FY 1999. From FY 1999 to FY 2004 the average annualized percent increase in the tax collected was 13.5%. Assuming the 13.5% rate of increase continues during FY 2005 and FY 2006, an additional 3% rate could generate approximately \$497,000 in additional revenue in FY 2006.

Currently, under the Uniform Law, Innkeeper's Tax revenue may be used only for promotion and encouragement of conventions, visitors, and tourism within the county. Under the bill, revenue generated by any additional rate increase imposed beyond the existing 5% rate would be used equally for (1) promotion

of conventions, tourism, and visitors and (2) the development of county parks, fairground, or a promotion.

***Avon, Martinsville, and Wayne County Food and Beverage Tax:*** The following table illustrates the breakdown of estimated local revenue that could be generated by the following counties/municipalities from the proposed local Food and Beverage Taxes under the bill:

County/Municipality	CY 2005	CY 2006	CY 2007
Avon	\$65,000	\$278,000	\$295,000
Martinsville	74,000	310,000	325,000
Wayne County*		\$993,000	\$1,138,000

\*Assumes county adoption only. See below for further explanation on the proposed Wayne County Food and Beverage Tax.

Avon: If the Town of Avon were to pass an ordinance to impose a 1% food and beverage tax, it is estimated the tax would generate \$65,000 in CY 2005, \$278,000 in CY 2006, and \$295,000 in CY 2007. Revenue from the tax is to be used for sanitary, parks and recreation, drainage and flood control, or water treatment facilities.

Martinsville: A food and beverage tax in Martinsville would generate approximately \$74,000 in CY 2005, \$310,000 in CY 2006, and \$325,000 in CY 2007. Revenue from the tax is to be used for city hall renovations, new police and fire stations, and sewer, wastewater, and storm water management.

Wayne County: If adopted by the entire county, the Wayne County Food and Beverage Tax is estimated to generate \$993,000 in CY 2006, and \$1,138,000 in CY 2007, assuming an ordinance date by September of 2005. The tax estimate is at a 1% rate. Revenue from the tax is to be used to promote conventions, visitors and tourism, or to promote economic development.

Also, under the bill, a city or town in Wayne County would also have the option of adopting a Food and Beverage Tax. The rate could not exceed 1%. The county would have the first option to adopt a Food and Beverage Tax until after July 31, 2006, unless this option is waived by ordinance. Beginning August 1, 2006, a city or town in Wayne County could adopt a Food and Beverage tax. If a city or town adopts a tax under this bill, a countywide tax would not apply to the city or town adopting the tax. Therefore, if Wayne County adopts a Food and Beverage Tax, under the bill, the revenue generated by the county tax *would decrease* as cities and towns within the county adopt the tax.

The Food and Beverage Tax is an excise tax on food and beverages prepared and served for sale in the local unit imposing the tax. The tax would be collected and remitted in the same manner as the state Sales Tax.

***Coal Combustion Property Tax Deduction:*** Beginning with taxes paid in 2007, this bill would provide a 5% deduction from the assessed value of a building "designed and constructed to systematically use qualified materials throughout the building." Qualified materials are defined as building materials that, by dry weight, are at least 60% coal combustion products. The bill references a current-law definition of coal combustion products that includes only the byproducts of coal combustion in an Indiana facility.

Qualification would be determined by the Center for Coal Technology Research at Purdue University. If the owner applies for building certification by April 10 of the assessment year, the Center must act on the application before May 10. If the Center fails to act before May 10, then the building is considered to be certified. Due to current staffing at the Center, applications could potentially be certified by default in the event that a significant number of property owners apply for the deduction. The deduction is not limited to new construction.

In CY 1999 approximately 42% of coal combustion products produced in Indiana were reused, a total of 3.5 M tons of reused products. Nationally, 40.5 M tons out of 121 M tons (or 33%) of coal combustion products produced in CY 2001 were reused. Coal combustion products are used in many products used in construction, including drywall, Portland cement, fill materials, paints, carpeting, and synthetic tiles. The large quantity of coal combustion products currently used nationally suggests that there may be a substantial number of buildings either already in existence or scheduled to be built before March 1, 2006, which could be built with coal combustion byproducts. The number and types of these buildings cannot be currently estimated. However, the requirement that these materials must be byproducts from the combustion of coal in an Indiana facility could limit the number of those buildings that qualify for the deduction.

The reduction of assessed value that would result from the new real property deduction would shift part of the property tax burden from buildings that qualify for the deduction to all other property. Total local revenues would remain unchanged, except for cumulative funds where the fund revenue would be reduced by the product of the deduction amount multiplied by the fund's tax rate.

***Mobile Home Assessments:*** The current DLGF real property assessment rule contains cost and depreciation schedules for use in the assessment of mobile homes. A mobile home is assessed as either real property if the homeowner owns the land under the home or if the home is on a permanent foundation. All others are assessed as personal property. Most mobile homes are assessed as personal property. The schedules in the real property rule are used to assess both real and personal property mobile homes.

This bill would require the DLGF's rules to include instructions for determining sales data for mobile homes that include a requirement to use nationally recognized valuation guides. Some counties are already using these guides (commonly referred to as the "blue book") in assessing mobile homes. Some counties allow the blue book value to be used as evidence in an appeal. Other counties adhere strictly to the schedules in the real property assessment manual and do not consider blue book values at all.

It is generally understood that the blue book values are less than those produced by the assessment manual. While the assessments of some homes would not change, others would be reduced under the blue book. It is unlikely that any home values would increase. One estimate suggests that, on average, the blue book value on mobile homes is about 15% lower than the value under the assessment rule.

This means that in counties where the blue book value is not already being used, the total value of mobile homes could decline by as much as 15%. Normally, a reduction in assessed value would shift taxes from those receiving the reduced assessments to all other taxpayers through an increased tax rate. However, mobile home assessments are treated differently than all other property assessments.

It is understood that in most counties, assessments on personal property mobile homes are not considered part of the certified value that is used to compute tax rates. This has to do with the fact that the assessment

date for these homes is January 15th with taxes paid in May and November of the same year. Tax rates must be certified by February 15th, leaving little or no time to make the assessments and include them in the AV base.

The property tax revenue generated by mobile homes may be used to offset shortages in levy collections. While the tax rate would not be directly affected by an assessment reduction for mobile homes, the revenue received by the local units would be reduced. One exception to this explanation is the case where a unit collects more than 100% of its tax levy. In this case, the overage is used to reduce the following year's levy and tax rate. So, it is possible, indirectly, for a reduction in mobile home-generated tax collections to cause an increase in the following year's tax rate. The actual impact of this provision is not currently available. There are approximately 90,000 to 100,000 mobile homes in the state.

***Software Valuation:*** Under current DLGF assessment rules, computer application software owned by a business is considered intangible property and is not assessed except when cost of the application software cannot be separately identified because it is combined with the cost of property that is subject to assessment. In the case where the cost of the application software cannot be separately identified, no adjustment is made to the cost of the other asset(s) for reporting purposes.

Under this provision, the DLGF would be required to develop instructions for identifying the fair market value of application software so that the value can be deducted from the total cost of the combined asset(s). These instructions would be made a part of the DLGF's rule governing personal property assessments.

This provision would result in a reduction of assessed value in an unknown amount. While the AV that is removed from the tax base may be a very small percentage statewide, there could certainly be an impact in specific local areas in cases where the value of the software component of an asset accounts for a considerable portion of the asset's total value.

The elimination of the remainder of application software assessed value would shift part of the property tax burden from the taxpayers who own application software to all taxpayers in the form of an increased tax rate. Total local revenues, except for cumulative funds, would remain unchanged. The revenue for cumulative funds would be reduced by the product of the fund rate multiplied by the deduction amount applicable to that fund. The amount of the tax shift is currently unknown.

***Delinquent Personal Property Taxes:*** The bill requires a creditor that acquires and transfers personal property under certain conditions to pay all or part of the amount of the delinquent taxes from the proceeds of the transfer according to a formula. This could affect personal property tax collections by the county treasurer by an indeterminable amount. Under certain conditions, the creditor is allowed to deduct from the proceeds of the transfer any direct expenses that the creditor incurs for the repossession, maintenance, and disposition of the personal property before paying the delinquent personal property taxes to the county treasurer. The bill also expands the time during the year when the county treasurer may enforce delinquent personal property taxes. This provision may increase property tax collections. Delinquent personal property taxes are distributed in the same manner as all other property taxes. The bill applies only to property taxes first due and payable after December 31, 2005.

***Library Levy:*** The bill would allow the Vanderburgh County Library Board to levy a tax with a rate of not less than \$.0067 or more than \$.0167 per \$100 of assessed valuation. Currently, Evansville is responsible

for levying the tax. The bill does not reduce the city of Evansville's maximum levy by the amount that had been levied for the library. The increased levy could range from \$305,000 to \$761,000 depending on the rate adopted by the board.

***Local Property Tax Credits:*** Under this provision, each county would be permitted to provide property tax credits to homeowners in 2005, 2006, 2007, and 2008 if (1) the net property tax on the homestead in 2003, after all credits are applied, was more than twice the amount of the 2002 net tax (an increase of more than 100%), and (2) the increase in net tax was at least \$500. Each year, the credit would equal the 2003 net tax increase multiplied by: 80% in 2005, 60% in 2006, 40% in 2007, and 20% in 2008. A county that wishes to provide the credits would have to adopt an ordinance before July 1, 2005. No application is required to receive the credit. The county auditor would identify the eligible homesteads and apply the credit. The entire 2005 credit could be applied to the tax installment that is due in November, 2005.

There is no specific funding mechanism for this credit. Property tax credits that are not funded reduce the tax collections that are distributed to local civil taxing units and school corporations. So, the entire cost of the credit would be a local revenue reduction. However, the bill permits counties to use any available source of revenue to offset this loss. The bill prohibits a taxing unit from appealing for an excessive levy in a succeeding year to cover a shortfall caused by the allowance of a credit.

An analysis of 2002 and 2003 parcel-level property tax data for 43 counties where the data was available was performed to estimate the impact of this optional credit. Each of the 43 counties had homesteads that would qualify for the credit. The full amount of the tax increase subject to credit at the appropriate percentage each year in the 43 counties is \$48.9 M. Lake County led all 43 counties with \$29.5 M. At the appropriate credit percentage, the total possible credit for all 43 counties is estimated at \$39.1 M in CY 2005, \$29.3 M in CY 2006, \$19.6 M in CY 2007, and \$9.8 M in CY 2008. The following table is a summary of the estimated credits for homesteads in each county.

**Estimate of County Option Homestead Credit in 43 Counties for Property Taxes that Doubled in 2003**

<b>County</b>	<b>Total # of Hmstds</b>	<b>Credit Count</b>	<b>Credit Base @ 100%</b>	<b>2005 80%</b>	<b>2006 60%</b>	<b>2007 40%</b>	<b>2008 20%</b>
Adams	6,466	82	79,877	63,902	47,926	31,951	15,975
Bartholomew	15,725	48	69,401	55,521	41,640	27,760	13,880
Benton	2,456	5	6,566	5,252	3,939	2,626	1,313
Blackford	4,645	39	38,315	30,652	22,989	15,326	7,663
Boone	10,208	134	197,690	158,152	118,614	79,076	39,538
Carroll	4,998	42	41,008	32,806	24,605	16,403	8,202
Clay	7,251	40	34,411	27,529	20,647	13,764	6,882
Clinton	7,187	23	20,485	16,388	12,291	8,194	4,097
Decatur	5,806	63	60,697	48,558	36,418	24,279	12,139
Dubois	9,432	34	40,170	32,136	24,102	16,068	8,034
Elkhart	36,990	242	334,180	267,344	200,508	133,672	66,836
Fayette	6,547	241	258,611	206,889	155,167	103,445	51,722
Floyd	16,471	83	105,862	84,690	63,517	42,345	21,172
Fulton	4,498	31	31,272	25,017	18,763	12,509	6,254
Grant	15,416	127	173,732	138,985	104,239	69,493	34,746
Greene	7,069	63	80,409	64,327	48,245	32,163	16,082
Hamilton	47,175	134	258,064	206,451	154,838	103,226	51,613
Hancock	13,625	64	59,546	47,637	35,727	23,818	11,909
Howard	19,737	28	25,749	20,600	15,450	10,300	5,150
Jay	5,294	43	41,950	33,560	25,170	16,780	8,390
Jefferson	7,399	149	178,961	143,169	107,377	71,584	35,792
Jennings	6,883	85	82,002	65,602	49,201	32,801	16,400
Johnson	25,491	67	89,844	71,875	53,907	35,938	17,969
LaGrange	6,137	79	92,552	74,041	55,531	37,021	18,510
Lake	114,565	22,242	29,541,424	23,633,139	17,724,854	11,816,570	5,908,285
Madison	33,078	312	347,274	277,819	208,365	138,910	69,455
Marion	185,990	6,368	11,865,119	9,492,096	7,119,072	4,746,048	2,373,024
Marshall	9,953	96	178,812	143,050	107,287	71,525	35,762
Miami	671	38	32,882	26,306	19,729	13,153	6,576
Monroe	20,955	257	290,154	232,123	174,092	116,061	58,031
Montgomery	8,436	205	226,668	181,334	136,001	90,667	45,334
Newton	3,270	11	12,084	9,667	7,250	4,833	2,417
Pike	1,506	75	81,592	65,273	48,955	32,637	16,318
Porter	31,015	317	398,638	318,910	239,183	159,455	79,728
Pulaski	3,306	27	29,344	23,475	17,606	11,738	5,869
Randolph	6,707	39	40,488	32,390	24,293	16,195	8,098
St. Joseph	60,814	2,220	2,950,514	2,360,411	1,770,308	1,180,205	590,103
Scott	5,137	39	37,091	29,673	22,255	14,836	7,418
Tipton	4,286	28	29,278	23,422	17,567	11,711	5,856
Vanderburgh	40,374	247	302,482	241,985	181,489	120,993	60,496
Wabash	8,070	51	61,196	48,957	36,718	24,479	12,239
Wells	7,509	22	32,353	25,882	19,412	12,941	6,471
White	5,603	19	19,289	15,431	11,573	7,716	3,858
<b>Totals</b>	<b>844,151</b>	<b>34,559</b>	<b>48,878,033</b>	<b>39,102,426</b>	<b>29,326,820</b>	<b>19,551,215</b>	<b>9,775,606</b>
<b># Counties</b>	<b>43</b>						



**Enterprise Zones:** The bill establishes the Enterprise Zone (EZ) Investment Deduction. This would allow the increase in AV from "qualified investment" in real and/or personal property of an EZ business to be deducted for up to 10 years. If there is an increase in development in the EZs because of the deduction, the new real and personal property would, after no more than 10 years, be placed on the tax rolls. This could help spread the property tax burden and could possibly reduce some tax rates. However, assuming that the investment would have been made in the absence of the deduction, the deduction results in a delay of the shift of the property tax burden from all taxpayers to the owners of the new property until the property is placed on the tax rolls.

The deduction would apply to the remainder of: (1) the total AV of the taxpayer's EZ real and personal property on a particular assessment date minus (2) the total AV of the taxpayer's EZ real and personal property in the year prior to the year in which the qualified investment was made (defined as the "base year AV"). Under the bill, qualified investment at an EZ location includes: (1) purchase of a building, new manufacturing or production equipment, or new computers and related office equipment; (2) costs associated with the repair, rehabilitation, or modernization of an existing building and related improvements; (3) onsite infrastructure improvements; (4) construction of a new building; and (5) costs associated with retooling existing machinery.

A taxpayer must apply to the county auditor to claim the deduction for a particular year. The county auditor would determine whether the taxpayer is eligible for the deduction.

**Special Alcohol Beverage Permits:** Two-thirds of the revenue distributed to the Excise Fund is distributed to cities, towns, and counties based on population. Excise Fund distributions to local units could increase if more restaurants obtain permits under provisions of the bill allowing the ATC to issue permits without regard to quotas to restaurants located in: (1) municipal riverfront development areas that are contained in a CRED; or (2) in certain historic districts. The impact of (1) above is indeterminable, while the maximum increase in permit revenue to cities, towns, and counties under (2) above would be \$10,000.

**School Corporation Pension Bonds:** The bill extends the deadline for issuing retirement or severance bonds from December 30, 2004, to July 1, 2006, for schools. A school that issued pension bonds before April 14, 2003, would also be able to issue one additional bond based on existing unfunded contractual liability for retirement or severance payments as of June 30, 2001. The amount of the bonds are limited to 2% of the assessed valuation of the school corporation minus the value of retirement or severance bonds that were issued before December 31, 2004. The school must reduce the Transportation Fund, School Bus Replacement Fund, Capital Projects Fund, or Art Association and Historical Society Funds in an amount equal to the property tax levy needed to retire the pension or severance bonds. The pension bonds would be subject to the petition and remonstrance process.

As of December 8, 2004, 227 pension bonds worth \$1.06 B had been approved by the Department of Local Government Finance.

**Public School Foundation:** The bill would allow a school corporation to use the proceeds of a grant, gift, donation, endowment, bequest, trust, agreement, shared tax revenue received by a city or county under IC 4-33-12 (riverboat admission taxes) or IC 4-33-13 (riverboat wagering taxes), or other funds not generated from taxes levied by the school corporation to create an education foundation.

The foundation must be a federally exempt charitable organization that is organized as an Indiana nonprofit corporation for the purposes of providing educational funds for scholarships, teacher education, and special programs for school corporations. If the foundation is terminated, then the donations are returned to the school corporation. The bill should have a positive fiscal impact on the revenue of schools. The impact would depend on the amount of proceeds donated to the foundation and interest earnings from the endowment.

***Solid Waste Management District Investments:*** According to current statute, solid waste management districts may invest their money in the same manner as other county monies are invested. This bill states that solid waste management districts must deposit and invest their money in the same manner as other county monies under IC 5-13. IC 5-13 governs the investment of public funds and allows monies to be invested in securities that are backed by the United States Treasury and issued by the Treasury or a federal agency, instrumentality or government sponsored enterprise, or fully guaranteed by a federal agency, instrumentality or government sponsored enterprise. The impact on revenue generated by a district's investments depends on its current investment practices.

**State Agencies Affected:** Department of Administration; Alcohol and Tobacco Commission; Indiana Economic Development Corporation; Indiana Gaming Commission; Department of Local Government Finance; State Higher Education Institutions; Department of State Revenue; Department of Workforce Development; State Fair Board; Department of Natural Resources; Treasurer of State; Indiana Transportation Finance Authority; Indiana Development Finance Authority; Ivy Tech State College.

**Local Agencies Affected:** County auditors; fiscal bodies in municipalities with EZs; Marion County; Marion County Metropolitan Development Commission; Marion County Capital Improvement Board; Boone, Hamilton, Hancock, Hendricks, Howard, Johnson, Lake, Miami, Morgan, Porter, Shelby, Tippecanoe, Vanderburgh, and Wayne Counties; Avon, Carmel, Fishers, Franklin, Greenfield, Greenwood, Lebanon, Martinsville, Noblesville, and Westfield; Local units in Lake and Porter County; School Corporations; Vanderburgh County Library Board; Historic Districts; Municipal Riverfront Development Project Areas; Solid Waste Management Districts.

**Information Sources:** Sources available upon request.

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